

3.4 PROPOSED ANNUAL BUDGET 2020/21 INCORPORATING THE STRATEGIC RESOURCE PLAN (SW:F18-4448)

Responsible Officer: Danny Wain, Chief Financial Officer

RECOMMENDATION

That Council:

1. *adopts the 2020/21 Annual Budget in accordance with Section 130 of the Local Government Act 1989 (Act) in the same form as the proposed 2020/21 Annual Budget of which Council gave public notice (with two additions as outlined in this report);*
2. *applies differential rating using Capital Improved Value (CIV) as the basis of valuation to all rateable land to raise rates by 2.0% in 2020/21 and the estimated amount it intends to raise by way of General Rate income is \$128,955,822, comprising:*
 - a) *an amount of \$127,587,000 which is intended to be raised by the General Rates;*
 - b) *an amount of \$257,822 in lieu of rates in accordance with the Cultural and Recreational Lands Act 1963; and*
 - c) *supplementary rate income growth (estimated \$1,111,000);*
3. *recognising that ratepayers receiving pensions should be given assistance to remain in their homes, maintains the Council funded \$50 rate rebate to assist eligible pensioners with their Council rates;*
4. *does not intend to have a municipal charge;*
5. *applies a service charge under Section 162 of the Act, Recycling & Waste Charge of \$27 per rateable property (Net income \$1,899,000); and also provide a \$27 waiver under Section 171 of the Act for eligible pensioners towards the Recycling & Waste Charge. (estimated cost \$310,000);*
6. *in recognition of the adverse impacts of COVID-19 across the whole municipality, and to promote short term economic viability, applies a 10% waiver under Section 171(1)(b) of the Act to all rateable properties on the 2020/21 declared rate as at 1 July 2020, noting that this is a gesture of support from us to our community who are hurting, including businesses and vulnerable ratepayers, many who now are without jobs; (estimated \$12,759,000);*
7. *notes that there being no change in the valuation system, Section 161(2)(iii) of the Act does not apply;*
8. *notes that the rates will be raised by the application of Differential Rates:*
 - a) *the General Residential Rate of 0.00151350 cents in the dollar applied to the Capital Improved Value (CIV) of all residential rateable land; and*
 - b) *the General Non-Residential Rate of 0.00174115 cents in the dollar applied to the Capital Improved Value (CIV) of all non-residential rateable land;*
9. *notes that the declaration of the General Residential Rate and General Non-Residential Rate will contribute to the equitable and efficient carrying out of its functions on the basis that the Rates will be applied to all rateable properties;*
10. *notes that the Rates will be separately levied in respect of each portion of rateable land for which Council has a separate valuation (unless Council has determined a charge in lieu of rates in accordance with the Cultural and Recreational Lands Act 1963);*

11. *provides a concession of 60% of the relevant rate for qualifying properties in accordance with the Cultural and Recreational Lands Act 1963 (CRLA);*
12. *in accordance with Section 167 of the Act, declares the rates and charges must be paid:*
 - a) *in a lump sum on or before 15 February 2021; or*
 - b) *by 4 instalments on or before:*
 - * 16 October 2020*
 - * 16 December 2020*
 - * 1 March 2021*
 - * 31 May 2021; or*
 - c) *by 9 instalments (direct debit only) on or before*
 - * 16 October 2020*
 - * 16 November 2020*
 - * 16 December 2020*
 - * 18 January 2021*
 - * 16 February 2021*
 - * 16 March 2021*
 - * 16 April 2021*
 - * 18 May 2021*
 - * 16 June 2021*
13. *will apply interest to overdue rates and charges payments in accordance with Section 172 of the Act, noting that the rate of the interest which is payable on the rates and charges which have not been paid by the dates specified, is fixed in accordance with Section 2 of the Penalty Interest Rates Act 1983;*
14. *notes that any Ratepayer impacted by COVID-19 and experiencing hardship and difficulty with paying rates and/or other charges may, upon experiencing any continuing difficulty in meeting payment of rates in 2020/21, make application and be eligible for assistance by way of a rates payment deferral until 30 June 2021, without any penalty interest being charged;*
15. *allows for overdue non-instalment payers, an additional 21 days from the 14 February to pay any overdue rates, before the application of the interest referred to in part 13 of this resolution; and*
16. *give public notice of its decision to adopt the 2020/21 Annual Budget in accordance with the Act.*

BACKGROUND

Council, at its meeting on Tuesday 30 June 2020, approved the proposed 2020/21 Annual Budget for the purpose of giving public notice as required by the Act.

In accordance with Section 129 of the Local Government Act 1989 (**Act**), public notice of the proposed 2020/210 Annual Budget was published in 'The Age' newspaper on Thursday 2 July 2020, as well as being advertised in Council's 'Bulletin' distributed to all Monash residences, and published on the Council's website.

A copy of the Draft Budget was put on display at eight locations throughout the municipality, and made available for public inspection between Wednesday 1 July and Thursday 30 July 2020 (both dates inclusive).

Council must declare its rates and charges in accordance with Section 158 of the Act. Council needs to declare, amongst other things, that the rates will be raised by the application of a “uniform rate” or “differential rate”, applied to the Capital Improved Value (CIV) applicable to all rateable land within its municipal district. The 2020 valuation data is subject to approval by the Valuer- General Victoria. In addition this declaration is in accordance with Part 8A (Rate Caps) of the Act (noting that the Minister has set the rate cap for 2020/21 at 2.0%).

Impacts of COVID-19

In line with Government restrictions due to COVID-19, Council reduced its operating costs at its aquatic and leisure centres, and closed other public facilities such as libraries, halls and golf courses. These facilities are mostly funded from fee-paying clients so our revenues have also been significantly reduced. As we navigate through recovery, there will be financial impacts on the 2020/21 budget and beyond. Due to social distancing restrictions in response to COVID-19, outside of the community grants, the draft budget contains no provision for outdoor events in the City of Monash for the remainder of the 2020 calendar year.

Despite these challenges, the majority of important Council services including waste and recycling, road and drain maintenance and, community services continue. These include home care and meals-on-wheels and child immunisation. Stage 4 lockdown restrictions have meant that Council has had to close its door to customers and scale back outdoor operations and most of the customer-facing services.

The Final Budget has been prepared on the basis of disclosing the known impacts of COVID-19 and to ensure the Monash community is aware of the financial impacts of the pandemic and the challenges ahead.

Fair Go Rates System Compliance

The Annual Budget 2020/21 has been prepared in accordance with the State Government’s *A Fair Go Rates System* (FGRS). The Annual Budget incorporates a rate increase of 2.0% for the 2020/21 year. This represents the 2.0% rate cap determined by the Minister for Local Government in December 2019 to apply to all Councils for the 2020/21 financial year. This rate is a forecast movement of 2.0% in the Consumer Price Index (CPI), as determined by the Department of Treasury & Finance.

Differential Rates

In 2020/21, Council will raise its rate revenue by the application of differential rating using Capital Improved Value (CIV) as the basis of valuation. Differential rates will apply to all rateable land and include a rate in the dollar to raise rates by an average (across all rateable properties) of 2.0% in 2020/21.

The rating structure comprises differential rates that Council believes will contribute to a more equitable distribution of the rating burden. Differential rating allows particular classes of properties to be assessed at different levels from the general rate set for the municipality. The rate and amount of rates payable in relation to land in each differential category are:

- A Residential Rate of 0.151350% (0.00151350 cents in the dollar of CIV) for all rateable residential properties; and
- A Non-Residential Rate of 0.174115% (0.00174115 cents in the dollar of CIV) for all non-residential rateable properties.

Underpinning the rationale for differential rates is the recognition that rates are becoming increasingly harder for people to pay and this tends to hit residents the hardest – particularly residents like pensioners who are living off low, fixed incomes. Given the shift in rate burden over the past five years away from commercial and industrial ratepayers and to the disadvantage of residential ratepayers, it is fair and reasonable that Council should use a differential rate to address that trend.

When declaring general rates, Council must consider how the use of differential rating contributes to the equitable and efficient carrying out of its functions compared to the use of uniform rates. Such a determination and its rationale must be disclosed in the Council's proposed budget. Section 161(2A) of the Act requires that councils must have regard to the Ministerial Guidelines on Differential Rates (the Guidelines) before declaring a differential rate for any land.

Eligible Pensioner Rebate

In 2015/16 Council introduced a new initiative to assist eligible pensioners, with a \$50 rebate on their council rates. The key rationale for introducing a pensioner rate rebate of \$50 was because the level of rate increases in Monash (like other councils) has risen above the cost of living since the mid-1990s. Monash Council has approximately 11,500 eligible pensioner ratepayers; just over 14% of total residential ratepayers in Monash. It is proposed that the \$50 rebate for eligible pensioners will continue for the 2020/21 year.

Recycling & Waste Charge

For 2020/21 Council will again apply a service charge under Section 162 of the Act to recover the additional costs of recycling and increases to the State's Waste Levy. Monash Council has secured its household recycling service with Visy, despite the volatility of the recycling industry in the wake of the global crisis triggered by China's ban on recycling. However, this has come at a significant cost. For 2020/21 Council will continue to charge a "Recycling & Waste Charge" which is a service charge to meet those increased costs and also cover the increase to the State's Waste Levy. The current contract with Visy Recycling is in place until April 2023. It is expected that the levy and offsetting pensioner rebate will cover the costs for the remainder of the contract. Monash Council has been able to ensure recyclable kerbside collections have not ended up as landfill and will work to ensure that continues. The recycling & waste charge has been set at \$27 per rateable property with provision to provide a waiver (\$27) for every eligible pensioner ratepayer.

Recycling & Waste Charge – Pensioner Waiver

Council acknowledges that some ratepayers may experience difficulty from time to time in meeting the recycling & waste charge due to the effect of rising costs, cost of Council services and personal circumstance. Council further understands that relief measures have a cost to Council which must be borne by other ratepayers either short or long term. It is for this reason that Council provides limited assistance, rates waivers and rebates to assist persons or classes of person in accordance with Section 169 or 171 of the Act.

For 2020/21 Council will again provide a waiver under Section 171 of the Act to all eligible pensioner ratepayers from paying the Recycling & Waste Charge which has been applied to all ratepayers to recover the additional costs of recycling & the State's Waste Levy.

Cultural and Recreational Land (CRL) Properties

Council is required to undertake a separate process to assess the charges applicable in lieu of rates for Cultural & Recreational land use properties. Adoption of the budget will incorporate the charges in lieu of rates for those properties. Council has reviewed the Cultural Recreation Lands policy and changes have been included and will take effect from the 2020/21 Budget.

COVID-19 – Additional Assistance to All Ratepayers

The COVID-19 pandemic has had a significant impact on our residents, businesses and organisations. It has required us to reframe our hardship policy to provide support to our community, including deferral, on application, for rate payments and fees and charges that will help sustain residents who are living in a new reality.

In light of these challenges, and in a gesture of support for the Monash community, Council has made the unprecedented decision to introduce a 10% waiver on Council rates for the 2020/21 financial year (on the grounds of financial hardship under section 171(1)(b) of the Act.

It's a decision that recognises the impact of COVID-19 on the whole Monash community and is a gesture of support from us to those in our community who are hurting, including business and vulnerable ratepayers, many who now are without jobs. This rate waiver applies to all 81,319 ratepayers in Monash as we know the impacts of the COVID-19 pandemic are affecting everyone in some way. Since the Draft Budget was adopted and the public consultation process began Victorians have been faced with the COVID-19 related declaration of a "State of Disaster" and more stringent Stage 4 restrictions. The financial and loss of amenity impacts have been felt by all ratepayers, businesses and residents.

Fees & Charges

Council adopted the 2020/21 schedule of fees and charges at its meeting on 30 June 2020 to enable application of the new fees from 1 July 2020 (except as otherwise indicated). Fees and charges are regularly reviewed in accordance with a range of factors including variations in costs. This will continue throughout the coming year. For 2020/21 Council has decided, as part of its response to COVID-19 impacts, to retain the majority of 2020/21 Fees & Charges at 2019/20 levels.

Capital Works Programs

The Four Year SRP identifies the financial and resource requirements including provision for funding of capital works programs as part of Council's financial planning considerations. A major element of the SRP is the 4 year Renewal and New/Upgrade/Expansion Capital Works Programs. The Renewal Capital Program provides annual funding for a broad range of works necessary to preserve and maintain the functionality and serviceability of Council's growing and ageing asset base. The Renewal Capital Program is reviewed and updated annually to reflect revised priorities, refurbishment need, compliance obligations, changes in external funding and updated cost estimates. The Capital Works Program in 2020/21 totals \$46.2M (new and carry forward projects), with proposed funding for renewal capital works of nearly \$37.9M. The total Capital

Works funding has been decreased by \$17.9M compared with the 2019/20 forecast budget. Council's funding contribution in 2020/21 reflects the reduction in the investment in the capital works program and is a departure from the financial plan forward projections. This is due to the impacts of COVID-19.

CONSULTATION

A review of consultations conducted in prior years was incorporated into the development of the Budget.

As required by the Act, the proposed 2020/21 Annual Budget was available for public inspection between 1 July and 30 July 2020 at various locations and was also advertised in the Council Bulletin and made available on-line.

BUDGET SUBMISSIONS

Council appointed a Committee of Council, comprising all councillors to consider submissions received under section 223 of the Act on the proposed 2020/21 Annual Budget. Council received seven (7) written submissions in response to the proposed budget.

The submission hearing was held on Tuesday 11 August 2020. The committee heard and gave consideration to the matters raised by the submitters. A report from the committee is presented to council at this council meeting for consideration.

BUDGET CHANGES

Since the adoption of the Draft Budget for consultation the following immaterial changes will be incorporated into the Budget document;

- Additional people resource;
 - The Chief Executive Officer has recommended an additional resource be added to the 2020/21 Budget with the inclusion of a newly created position for the purpose of improving internal controls; and
- Playground upgrade Progress Park – Council amended the Playground Strategy to include the commencement of works (Design) starting in 2020/21.

CONCLUSION

Following consideration of this report, and the conclusion of the Section 223 Committee of Council to consider the submissions received regarding the draft 2020/21 Annual Budget (the Committee Report), it is recommended that:

- the 2020/21 Annual Budget be adopted in accordance with Section 130 of the Act in the same form as the proposed 2020/21 Annual Budget of which Council gave public notice; and
- the other statutory requirements of the Act in relation to the Annual Budget adoption process be met.